

**ORMOND BEACH
BUDGET ADVISORY BOARD
REGULAR MEETING**

**June 23, 2021
Commission Conference Room
22 South Beach Street
Ormond Beach, FL**

5:00 P.M.

Call to Order – Roll Call

Members present were: Joe Hannoush, John Olivari, Rafael Ramirez and David Romeo. Excused was Josh Pringle.

Staff present were: City Manager Joyce Shanahan, Finance Director Kelly McGuire, Assistant Finance Director Chris Byle and Recording Secretary Shā Moss.

Approval of Minutes – April 28, 2021

Mr. Olivari moved, seconded by Mr. Romeo to approve the minutes of the April 28, 2021 meeting. The motion passed unanimously.

Public Comments

None

Discussion of Draft Budget

Ms. McGuire noted the draft budget document the Board received is not all the funds of the City. That document is the operating budget. We are going to discuss the tax rate, water rate, solid waste and anything else that may come up regarding the budget and then give a recommendation to the City Commission. She noted the Board does not review the CIP in detail because other Boards do that and they also make recommendations to the City Commission on the portion they review.

Ms. McGuire reviewed the draft budget presentation.

American Rescue Plan Act

\$1.9 Trillion total/\$350 billion to States & Local Governments

Eligible uses

Respond to negative economic impacts of COVID-19 by providing assistance to households, small businesses, and non-profits;
Provide premium pay to “eligible” essential workers;
For the provision of government services to the extent of any reduction in revenue due to the COVID-19 public health emergency relative to revenue collected in the most receipt full fiscal year;
To make necessary investments in water, sewer, or broadband infrastructure.

Ms. McGuire stated the City will receive \$4.9 million and half will be deposited soon and once that half is spent, the other half will be sent. She pointed out the uses and noted that they are recommending the funds be used for water and sewer projects because it would be a benefit for the entire community and the City won't have to raise the rates to pay for it. She pointed out the initial estimate was \$18 million for the City. There are two groups and one is CDBG entitled communities and the other is everyone else. The City was put in the non-CDBG group and those funds are distributed by populations and the City has a large population compared to others in that group. The City is grouped with Volusia County and was overlooked as well as several other cities.

Ms. Shanahan noted it was also based on the community poverty level.

Ms. McGuire noted the funds could also be used for premium pay for eligible essential workers and the City didn't want to go that route because of the definition of eligible workers. Some could define everyone working for the City as an essential worker but some would define only specific employees as an essential worker. This is the reason the City and other cities are using the funds for water and sewer projects.

Ms. Shanahan noted the State is going to provide a \$1,000 bonus to essential workers.

Mr. Ramirez asked by using the funds, would that put the City ahead of projects in the coming years that need to be done.

Ms. McGuire stated they would use those funds for a significant portion of next year's projects.

American Rescue Plan Act

Ormond Beach \$4.9 million (Allocated by poverty level & population)

Guidelines

Covered period is March 3, 2021 – December 21, 2024

Cost can be incurred by December 24, 2024, but must be expended by December 31, 2026

Cannot spend funds on pension deposits

Cannot spend the funds to reduce taxes or delay a tax increase

Cannot use as non-Federal Match for other Federal Programs

Taxable Value chart 2007-2021

5.49% increase in taxable value including new construction

4.57% increase net of annexations/new construction (\$35.9 million)

Ms. McGuire stated the City received the pre-preliminary taxable numbers from the County on June 1, and an updates listing today and there was not much change. The taxable value went up making the City in pretty good shape.

Property Taxes

Millage Rates

Creates funding for new Public Safety Vehicle & Equipment Fund

Ms. McGuire noted they were proposing to keep the overall millage rate the same and will spread those funds around. Currently the Public Safety Fund does not exist and the other revenues are in the current budget and make up the operating tax rate. They want to take some of the millage and dedicate it to the Public Safety Fund to fund police and fire vehicles.

Ms. Shanahan noted this was a priority for the Commission to ensure that the police and fire departments have the adequate and operating resources they need to do their jobs. Two years ago, they purchased two new fire trucks and we are now on a replacement plan to replace them every seven or eight years. We do a purchase, then a lease and buy it out in the last year. The Police Department have about 80 vehicles, and the Fire Department has four active fire trucks, two reserves, two brush trucks and multi-purpose vehicles. In the past, both departments were competing for general vehicle funds, which is why we want to dedicate a specific fund. What is needed is six patrol vehicles, two special lead vehicles and one motorcycle. There is also a replacement plan to for all vehicles over a seven year period.

Tax Rate

Proposed

Proposed rate is 4.8% above rolled back rate

Ms. McGuire stated current tax rates and not rollback should be the starting point of discussions. She noted you cannot live on the same amount, and the alternative would be that the service levels would continue to decrease. Over the years the public has agreed to keep the quality of life the same and don't mind paying a little more. The average in taxable value is about \$150,000 which would be an \$13.91 increase.

General Fund Budget

Draft FY 2021-22

Revenue

Property Taxes

Existing Properties \$355k increase

Annexation/New Construction \$120k increase

Utility Tax \$200k increase due to FPL rate adjustment

Sales Tax, Revenue Sharing, Leisure Services Fees adjusted to pre-COVID levels

Ms. McGuire stated the taxable value increased because the property values went up. FP&L is raising their rates, so there will be an increase in what they pay for utility taxes.

General Fund Budget

Draft FY 2021-22

Expenditures

Collective Bargaining Agreement Adjustments +390k largely offset by Pension contribution savings - \$290k

Health insurance Increase estimate (10%) + \$42k

FPL rate increase (10%) + 170k

Landscaping contract + \$87k (Add'l services \$37k and 2.62% CPI \$50k)

Additional janitorial services at OBSV during events +\$25k

New positions

Two police officers (COPS Grant funded) \$150k

Victims' Advocate (VOCA funded) \$65k

Building Inspector (Funded with building fee increase) \$65K

Ms. McGuire stated the City has been doing well with pension savings, there will be salary increases and this is the last year on the collective bargaining contracts and there will be a large offset. She also noted the new positions being added to the budget.

Ms. Shanahan pointed out there has been a lot of turnover in the Police Department since COVID. She stated they leave the City because they are retiring or they want a career change. A few leave for other agencies for advancements and pay because the City is small, we don't have offer certain things here. A reason many of the officers apply is because of the community. She noted the fire chief has started recruiting local because they tend not to go anywhere.

General Fund Budget

Revenues

Ms. McGuire noted they were not looking to use any fund balance other than to cover the economic development incentives. The revenue stabilization fund set aside \$3 million about two years ago to use it for COVID if the revenues decline. Only \$200,000 was used from those funds. She noted a lot of the funds do not have the reserves that the General Fund has.

General Fund Budget

Expenditures

Ms. McGuire stated the chart explains the general fund broken down by divisions. The overall budget increased by 2.9%. Transfers are from the General Fund to other funds.

General Capital Improvement Fund

FY 2021-22

Ms. McGuire noted the general fund was funded by a variety of sources, but property taxes was the largest part. The City has \$400,000 going into this fund annually. Next year we are planning to use \$225,000 to replace the air handling unit at City Hall. Another source is from CDBG funding and those funds will be used for the Washington Street sidewalk project.

General Vehicle Replacement Fund

FY 2021-22

Ms. McGuire stated some of the funds in this account was moved to the Public Safety Fund, but they proposed \$200,000 will continue to go into this fund annually.

Transportation Fund

FY 2021-22

Ms. McGuire noted \$500,000 is dedicated to this fund, in addition to local options gas tax for another \$500,000. The project outlined for next year exceed funding, so the City is looking at using the reserves from this fund.

Transportation

Property Tax Buying Power

Ms. McGuire noted there were concerns regarding transportation. First there is \$500,000 in property tax dedicated. That amount does not have the value that it did ten years ago. The transportation fund is funded by the local options gas tax. The gas tax comes in by the County and distributed by a formula and the methodology expires at the end of the year. The communities got together, a new methodology was approved and Ormond Beach came up short.

Ms. Shanahan stated the State has a default formula that they base on population and land miles. Volusia County receives their share first and it's up to the sixteen cities in the community to agree on a formula. Ormond Beach and Daytona Beach stalled for three years because we knew we would be on the losing end. You need a majority of the cities to agree on a formula. We were able to get them to phase it in over a five-year period and this is a ten-year agreement. We will be taking a \$400,000 hit, so in five years, Ormond Beach will have \$500,000 less in gas tax. Ms. Shanahan noted the issue with the gas tax and the sales tax, is Volusia County bonded all their gas tax monies decades ago so they had no funds to do any new projects. She stated the City uses these funds for the local roadways.

Mr. Ramirez stated this is a good reason to be more open minded and stated there will be more residents in the coming years, so the taxable amount will increase.

Ms. McGuire noted the City Commission will have to make decisions about the dollar amount of property taxes that is dedicated and do we start increasing the millage rate and dedicate that specific amount to transportation.

Facilities R&R Fund

FY 2021-22

Ms. McGuire stated this fund also received \$500,000 annually. Three of the major projects are listed, but there are additional projects that also use those funds.

Public Safety Vehicle & Equipment Fund

FY 2021-22

Ms. McGuire reiterated that new millage will be dedicated for this fund which would generate about \$629,000 and in addition to that \$1,522,000 from the CARES Act will be added to that fund. This will pay for the radio replacement project, which is a project that all the communities will be tied into. These funds will also pay for the police vehicles and the debt service. There is money set aside that is ongoing where the City can purchase another significant size vehicle for the Fire Department.

Community Redevelopment Agency Fund

FY 2021-22

Ms. McGuire noted this was the downtown CRA and the get their funds through a portion of the property taxes and MainStreet is looking to construct a landing dock on the other side of the river for a water taxi that MainStreet will be responsible for. There is also the sidewalk project from Orchard to the Beach Street. This also includes the underground utilities projects.

Mr. Hannoush asked whether the City was going to put in \$50,000 for the landing dock.

Ms. Shanahan stated that was a request from MainStreet to add to the budget. She noted they were using CRA dollars for that project. Also noted during special events, they use a bus for transportation but when traffic is backed up, the bus is stuck in traffic. She noted this was a just request at this time.

Stormwater Fund

FY 2021-22

Ms. McGuire stated this is funded through the \$7 a month stormwater fee and will fund those stormwater projects.

Airport Fund

FY 2021-22

Ms. McGuire noted the projects were in the design stage and these projects are grant funded.

Water & Wastewater Operating Fund

Revenues

For consideration:

Rate adjustment of \$1.04/monthly and use \$4.6 million ARPA for capital
Adopt two year rate increase to include 3.5% for FY 2022-23 (add'l
\$2.05/monthly)

Ms. McGuire stated the operating fund and capital fund are linked. We are proposing to raise the rates because of operating cost increase. In addition we would use the rescue plan monies to cover the capital needs. If we didn't use the rescue plan monies, we would still need to raise the rates but from \$1.04 to \$2.05 a month.

Water & Wastewater Operating Fund

Expenditures

Ms. McGuire noted on the operating side relating to FP&L rate increase, when FP&L raises their rates, it hits the water and sewer system. This is because of the electricity used to operate the systems.

Water & Wastewater Capital Fund

FY 2021-22

Ms. McGuire noted many of the projects at the beginning of the list total a little over \$2 million are projects that are done annually and the rest are project that are done over ten to twenty years. The total need for next year is over \$7 million. We are supporting some of that with the water and sewer rates and the rest with the rescue plan dollars.

Mr. Ramirez asked whether bonds were needed; wherein Ms. McGuire answered a bond or some short term financing will be needed.

Solid Waste Fund

Revenues

For Consideration

Adopted two year rate increase to include 3% for FY 2022-23 (add'l
\$0.65/month)

Ms. McGuire stated they wanted to propose to the Commission to look at two years instead of one year.

Solid Waste Funds

Expenditures

Ms. McGuire noted the only real cost increase is the CPI adjustment for WastePro, which is the reason for the \$1.50 increase. If the Commission does not provide the CPI adjustment, when it comes to contract renewal the cost would increase. This cost has not been passed to the customers and not it is adding out.

Ms. Shanahan noted it happened years ago when the City was with Waste Management and they did not reply to the bid and the new company was almost \$1 million more. We cannot look for new contractors while we are in a contract but WastePro is providing service for several other local cities. Hurricane debris pick up also comes out of this fund and we do get some reimbursement from FEMA.

Mr. Hannoush asked whether the City's items are being recycled; wherein Ms. Shanahan stated they were.

Cost to Taxpayers

Proposed FY 2021-22

5,000 gallons per month

Total add'l cost for all services \$3.70-\$4.68/month or \$44.39-\$56.15 annual

Ms. McGuire noted Ormond Beach's utility bill is less than the surrounding cities. What we are proposing is that the tax rate would stay the same but the individual taxable value is going to increase.

Mr. Ramirez asked will this still keep the 15% in reserves; wherein Ms. McGuire answered it would.

Mr. Hannoush asked if all customers could be on automatic payments to eliminate mailing costs.

Ms. McGuire stated the mailing was not done inhouse and was not costly, but there are a lot of elderly residents that want a paper bill.

Need Commission Directive

Levy proposed tax rate of \$4.0308 (equal to current rate)

Establish Public Safety Vehicle & Equipment Fund

Dedicate millage of 0.1580 mills (\$626k)

Designate CARES Act funding for capital purchases (\$1.522 million)

Water & Wastewater Rates

3.5% (\$2.02/month) increase or 1.8% (\$1.04/month) increase plus ARPA funding for capital

Two-year rate increase adopted simultaneously with 3.5% (\$2.05/month increase for FY 2022-23

Solid Waste Rates

Increase of \$1.05/month for FY 2021-22

Two-year rate increase adopted simultaneously with 3% (0.65/month) increase for FY 2022-23

Ms. McGuire noted this is the directive that will be taken to the Commission and would appreciate the Board providing their recommendation.

Mr. Ramirez moved, seconded by Mr. Olivari that the Budget Advisory Board agrees with staff's recommended directive to the City Commission as outlined in the presentation. The motion passed unanimously.

Ms. McGuire asked whether the motion includes additional millage for the transportation fund because that is not included in the budget.

Ms. Shanahan noted there was a desire for it but not sure of the willingness to go above the current tax rate.

Mr. Ramirez asked how much of an increase that would be.

Ms. McGuire gave an example that if they added \$100,000 annually, it would be equivalent to .75% increase to the millage rate.

Mr. Olivari and Mr. Romeo agreed to staying with the current millage rate.

OTHER BUSINESS

Mr. Hannoush stated he heard that when some people retire they receive a huge unused vacation payout.

Ms. McGuire stated that the City has a cap on vacation time. The City buys out up to 40 hours annually. On your anniversary date, if those hours are above the allotted amount you lose them.

Ms. Shanahan stated these types of things are negotiated with the employee's union contracts. She noted this was the last year of the current contract.

Mr. Hannoush asked whether the City is required to have union contracts; Ms. Shanahan answered the employees have unions and the City is required to negotiate with them. Most cities in Volusia County have unions.

Ms. Shanahan stated most employees join the union because should something happen to them while employed, they have someone to represent them.

NEXT MEETING DATE

Ms. McGuire stated the next meeting will be the joint CIP workshop on July 13 with the Commission at 5:30p.m.

ADJOURNMENT

Respectfully Submitted,

Shā Moss, Recording Secretary

ATTEST:

Joe Hannoush, Chairman